

Aldoro Resources Limited (ASX:ARN)

'Upcoming drilling de-risked: an opportunity to emerge as the ASX's next battery metals company'

Introduction

Entering the new mining boom: green metals

In the 1850s a gold rush began that was to put Australia's mining industry on the map. In the 1900s, the Pilbara iron ore region was developed in WA, and new metals were discovered in the second part of the 20th century, including bauxite (the source of aluminium), nickel, tungsten, rutile (the source of titanium), uranium, oil and natural gas. Next, the resources boom of the early 2000s enabled Australia to escape a technical recession in 2007 and 2008 during the GFC. **Fast forward and today, we are on the cusp of the next mining boom – “green metals” – and Australia is once more set to be a beneficiary, we are indeed the lucky country.**

So called green metals will, in time, power every aspect of modern life. These are the metals that are needed for the renewable energy transition and the electrification of cities, homes, workplaces, and communities. These metals, primarily nickel, copper, cobalt, graphite and lithium, will power modern lithium-ion batteries. **These are the metals which have won the lottery and none moreso than a silvery-white lustrous metal with the symbol Ni and atomic number 28 – nickel.**

Introducing Aldoro Resources Limited (ASX:ARN)

In 2018, buoyed by the rising battery metals thematic, the ARN management team utilised an ASX listing for Aldoro Resources, raising \$4.5 million to advance its nickel-cobalt assets in Western Australia. **Although the early years of ARN were slow, with the share price sliding from a listing price of 20c to circa 7.5c in June 2020, the company maintained an impressive shareholder register, led by the Pioneer Development Fund.**

Since then, the company has progressively shored up its tenements and conducted early test work to identify suitable targets that could be company making targets. This culminated in an announcement on the 29th of October 2020, that the company was progressing major exploration work on the The Narndee-Windimurra Complex. **Narndee is the largest layered mafic-ultramafic complex in Australia and Aldoro holds 100% of the basal ultramafic portion of the complex around Narndee with tenements covering approximately 306km².**

Drill Results will be the ultimate test – a future integrated battery metals business?

Although certainly not guaranteed, “Julimar-style” Ni-Cu-PGE potential exists for Narndee, with historic exploration showing a working sulphide mineral system. Early results show numerous gossans with up to 10.5m at 1.50% Ni from surface and historical results showing shallow sulphide intersections up to 0.70% Ni; 0.84% Cu; 0.21g/t Pt and 5.16g/t Pd – with little or no follow up. Alongside lithium assets, ARN has the early foundations of an impressive battery metals business, to fulfill the long-term ambition of the company to become the ASX's next integrated battery metals company.

Now it is time for ARN to walk the walk with impending drill results over the coming weeks incoming. Using modern exploration techniques, Chairman Joshua Letcher is confident of a company making discovery. Should a discovery be made, it is safe to say that with only 80.5M shares on issue and a market capitalisation of merely 31M at 39 cents, Aldoro Resources is a potential multibagger target. Herein, within this research note, the investment case for ARN is discussed alongside a valuation analysis, company description, industry overview and potential risks.

Contents

Introduction.....	1
<i>Entering the new mining boom: green metals</i>	<i>1</i>
<i>Introducing Aldoro Resources Limited (ASX:ARN)</i>	<i>1</i>
<i>Drill Results will be the ultimate test – a future integrated battery metals business?</i>	<i>1</i>
Section 1: Company Description	3
<i>A short but eventful history so far</i>	<i>3</i>
<i>The flagship Ni-Cu-PGE Narndee project: under-explored and globally significant</i>	<i>3</i>
<i>Lithium assets present further optionality and deepen the battery metals focus of ARN.....</i>	<i>4</i>
<i>Gold spinoff sharpens focus and corporate structure</i>	<i>4</i>
<i>Management team ambitious for results.....</i>	<i>5</i>
Section 2: Industry Overview	6
<i>The winners of the battery metal lottery.....</i>	<i>6</i>
<i>The nickel industry: a tale of two deposits (laterites v sulphites)</i>	<i>6</i>
<i>The lithium industry: Australia in pole position</i>	<i>7</i>
<i>Industry demand, growth rates and incentive prices</i>	<i>7</i>
Section 3: Valuation Analysis.....	9
<i>Shareholder register and structure.....</i>	<i>9</i>
<i>Cashflow valuation methods are inappropriate for this early stage of the company’s lifecycle</i>	<i>9</i>
<i>Valuations for ASX nickel companies by lifecycle stage highlight enormous runway for growth</i>	<i>10</i>
Section 4: Investment Case	11
<i>The last 3-5 years has been momentous for nickel.</i>	<i>11</i>
<i>An attractive shareholder structure and low SOI means that a re-rate could be swift</i>	<i>11</i>
<i>The activity pipeline is extensive – significant newsflow is on the horizon</i>	<i>11</i>
<i>Global technical expertise has been secured and confidence is building for the Narndee drilling program</i>	<i>11</i>
<i>Historical nickel sulphide discoveries highlight that the potential growth runway in share price</i>	<i>12</i>
<i>Technical analysis: ARN remains in a major bull trend.....</i>	<i>12</i>
Section 5: Risk Factors	14
<i>Shares in ARN are highly speculative by nature</i>	<i>14</i>
<i>Exploration or mining title risks are unlikely, but possible</i>	<i>14</i>
<i>ARN has limited operating history and low liquidity</i>	<i>14</i>
<i>Significant efforts have been taken to de-risk drilling, but there is no guarantee of an economic resource discovery</i>	<i>14</i>
<i>A CR may be required if a discovery is made that requires further exploration</i>	<i>15</i>
<i>There is no guarantee that Ni prices will be favourable for ARN long term</i>	<i>15</i>
Disclaimer	16

Section 1: Company Description

A short but eventful history so far

In August 2018, ARN listed on the ASX with an offer of 22,500,000 shares at an issue price of \$0.20 per share, for a market capitalisation of circa \$7 million, raising \$4,500,000. The aim for the company at this stage was to bring together 3 Western Australian tenements – Ryan’s Find Project, Leinster Project and the Cathedrals and Kalgarin Projects – all with significant exploration potential. These projects comprised over 1100km² of granted tenure which are prospective for either, or both, nickel-cobalt mineralisation in weathered lithologies or nickel sulphide mineralisation.

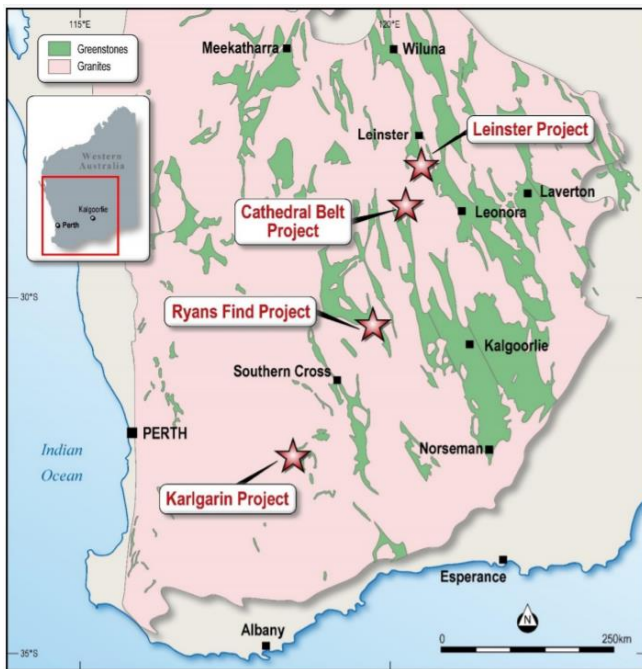


Figure 1: Location of the Company's Initial 3 Projects

Since then, the company executed on its key business objectives, namely, to focus on mineral exploration of resource opportunities that have the potential to deliver growth for shareholders and to **implement a growth strategy to seek out further exploration and acquisition opportunities.**

In line with this expansion strategy, in September 2019, the Company announced its intention to acquire 100% of Altilium Metals Limited to create a focused West Australian gold and nickel exploration company, which was completed in November following shareholder approval. **This acquisition was transformational for the company expanding Aldoro's existing portfolio to include the Narndee Project Area** – consisting of the Narndee Igneous Complex (Ni-Cu-PGM), and Kiabye Greenstone Belt (Au).

In addition, this acquisition gave ARN control of the Penny South Gold Project (contiguous with the Penny West Gold Project owned by Spectrum Metals (ASX:SPX)) and the Windimurra Igneous Complex (Ni-Cu-PGM, Li) – where lithium bearing pegmatites have recently been identified.

The flagship Ni-Cu-PGE Narndee project: under-explored and globally significant

The Narndee Igneous Complex is a globally significant, large layered mafic-ultramafic complex covering approximately 700km². Historic exploration has generally focused on PGM mineralisation using a Bushveld model, whilst historic drill results have found good indications of Ni-Cu sulphide mineralisation. Maximus Resources (ASX:MXR) flew an airborne EM survey over the complex in 2008 (ASX, 20 August 2008), identifying multiple EM targets, but only conducted limited follow up work.

Aldoro has subsequently built on this wealth of historical information, including multiple geophysical datasets, and **in Oct 2020, ARN announced their intent to commence major exploration work and the shift of the company to focus on Narndee as its flagship project going forward.** The potential of the Ni-Cu-PGE Narndee project is discussed in depth in the investment case section.

Suffice to say, as the largest layered mafic-ultramafic complex in Australia (and the second largest globally), this tenement presents a major opportunity. **Falconbridge conducted geochemical surface sampling across the NIC finding widespread NiCu-PGE anomalies of up to 6,190ppm Ni, 672ppm Cu and 595ppb Pt+Pd in soil and magnetic lag samples.** They conducted a 20-hole reverse circulation (RC) drilling program, the most comprehensive program to date within Aldoro's under-explored 306km² project area – with only 37 holes deeper than 100m drilled within the Narndee Project area, including these Falconbridge holes.

Despite finding good indications of Ni-Cu mineralisation (e.g., NARC-03-19 8m at 0.51% Ni, 0.13% Cu and 0.12g/t Pt+Pd from 124m and NARC-03-15 1m at 0.61% Ni, 0.17% Cu and 1.1g/t Pt+Pd from 241m) in only disseminated sulphide units (trace to 15% sulphide minerals) **no follow up work was conducted, being constrained by the PGE focus and Bushveld-model.** On the 1st of July 2021, Aldoro revealed that field reconnaissance and mapping confirmed the location of two key Ni-Cu gossans. Drillholes have now been pegged and pads prepared for these VC1 and VC11 targets.

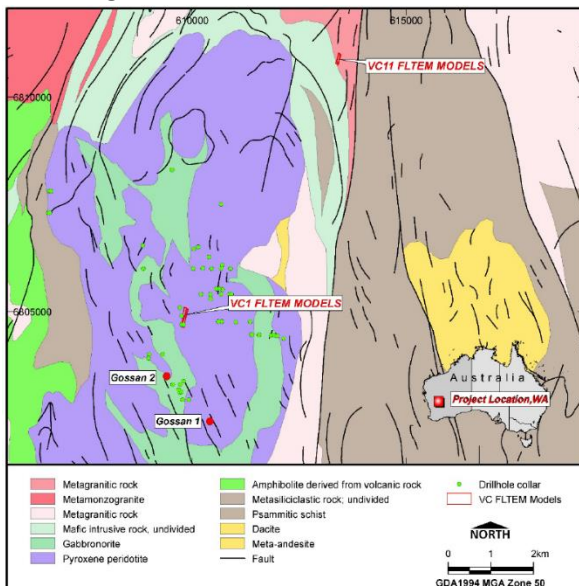


Figure 2: Geological map of the NIC, showing the positions of Gossan 1 and Gossan 2 in relation to the VC1 and VC11 drill targets.

The stage is now set for phase 1 drilling which is scheduled to take place over July and August 2021. Having undertaken such a comprehensive pre-drilling exploration program, the board is confident of a company making discovery with drilling later this month.

Lithium assets present further optionality and deepen the battery metals focus of ARN

Alongside nickel, lithium is one of the major winners of the green metal revolution and ARN's acquisition of Altilium Metals Limited also granted ARN prospective lithium tenements. The Windimurra Igneous Complex (adjacent to the Narndee complex) (applications E58/518 and E58/519) cover approximately 420km² of the Igneous Complex. **Recent field work and geological mapping interpretation by Altilium identified over 20 pegmatites at the edge of the Windimurra Complex, that are considered prospective for lithium mineralisation.**

On the 7th of July 2021, Aldoro expanded its Windimurra lithium pegmatite footprint via the acquisition of the adjacent Wyemandoo Project to Aldoro Licence E59/2431 and Niobe tantalum-lithium project both located in the Mt Magnet region. The projects are rich in LCT type pegmatites with high lithium, cesium, tantalum and tungsten with rock chip lithium oxide grades of up to 2.6% Li₂O, tantalum oxide grades up to 5610ppm and 16.5% of tungsten oxide. **Respected regional geologist Dr Peter Hayden has also joined Aldoro's technical team to assist with unlocking the lithium potential of the combined Aldoro Windimurra Lithium portfolio.**

Gold spinoff sharpens focus and corporate structure

Lastly, on the 26th of May 2021, Aldoro revealed its intent to divest its gold projects via a priority spin-out. ARN will divest its portfolio of gold assets via a spin out of the Penny South Gold Project, the Ryan's Find Project and the Unaly Hill South Project through the listing on the ASX of its wholly owned subsidiary, Aurum Resources Limited (Aurum). Aurum will raise up

to \$5 million to fund exploration programs on the Projects and Aldoro shareholders will hold priority entitlement right to subscribe to Aurum's IPO. **With a listing enterprise value of merely \$1.2m (before costs), this entity will provide significant leverage to the Youanmi and Mt Dimmer gold fairways versus listed peers who have recently undertaken successful gold drilling programs.**

This decision will see ARN achieve a number of unique upsides, namely: i) a see through valuation for the ARN assets; ii) a sharpened battery metals focus for the remainder of the ARN portfolio; iii) a sharpened management focus on the battery metals sector assets, primarily the Narndee Ni-Cu-PGE and other lithium projects; iv) an attractive gold play open to only ARN shareholders, where material upside exists; v) reduced ongoing expenditure commitments to keep the gold assets in good standing and vi) a more refined asset structure for ARN should Narndee deliver a nickel discovery, which would make ARN more corporately appealing from a M&A target perspective.

Management team ambitious for results

With the board and management team holding approximately 7% of all shares on issue, company insiders have significant skin in the game. The board is led by non-executive chairman Mr Joshua Letcher, alongside Mr Troy Flannery and Mr Lincoln Ho.

Joshua has experience working in various operational and technical roles within the African and Australian mining industry. He was the founder of Allotropes Diamonds Pty Ltd and was responsible for its acquisition by Newfield Resources Ltd (ASX: NWF). As CEO of Allotropes, Josh was responsible for the development of the project from exploration to trial mining. The roles in that capacity included project management, plant construction and commissioning, exploration management and asset acquisition. Joshua has served in the Royal Australian Navy and trained as a Mechanical Engineer.

Mr Flannery has more than 23 years' experience in the mining industry, including 7 years in corporate and 16 years in senior mining engineering & project development roles. He has a degree in Mining Engineering, Masters in Finance & First Class Mine Managers Certificate of Competency. Troy is also the CEO of Abra Mining Pty Ltd, the corporate vehicle for the Galena Mining Ltd (ASX:G1A) & Toho Zinc Joint Venture. He has worked at numerous mining companies, mining consultancies & contractors including BHP, Newcrest, Xstrata, St Barbara Mines & AMC Consultants.

Lincoln has over a decade's experience in equities trading, with a strong focus on due diligence investigations, mergers & acquisitions and corporate restructuring in the emerging companies sector. He also has specific investor relations experience in both Australia and Asia, having liaised with significant high net-worth investors based in Hong Kong, Singapore and China. Lincoln currently serves as non-executive director of Red Mountain Mining Limited (ASX: RMX). He previously served as non-executive director of Pure Minerals Limited (ASX: PM1) and Sultan Resources Limited (ASX: SLZ). Lincoln also currently serves as director of the Pioneer Development Fund (Aust) Limited, the largest shareholder in ARN.

The team is confident of striking company defining results at the flagship Ni-Cu-PGE Narndee project and progressing their long-term vision of building a significant battery metals company with a portfolio of nickel, lithium and PGEs.

"We're building ourselves up to be quite a significant battery minerals company. With lithium, nickel and PGEs, we are fundamentally well placed to make batteries in such a fine location, with 100% ownership."
 – Joshua Letcher, Non-Exec Chairman
 (July 2021, Investor Webinar)

Section 2: Industry Overview

The winners of the battery metal lottery

The mining exploration sector went through lean years following the conclusion of the last mining supercycle which ended over a decade ago, following a slowdown in China's decades-long explosive growth. **However, commodities analysts are now predicting another mining supercycle, this time propelled not just by economic growth, but by a global energy transition.** As developing countries adopt net-zero emissions targets and focus on a "green" recovery from the COVID pandemic, the stage is set for metals and minerals to eventually take the trophy from crude oil as the world's number 1 traded commodity.

"Greening the grid will be a massive undertaking, requiring new forms of power generation — wind, solar and nuclear — thousands of kilometres of new transmission lines and power storage. So, the whole system must be rebuilt, top to bottom, and that is what is bringing the onset of the revenge of the miners"

— Robert Friedland,
Mining Entrepreneur.

The major winners of this energy transition are likely to be the metals and minerals required to support the most fundamental unit of energy storage, the lithium-ion battery: nickel, lithium, graphite, platinum, cobalt and manganese. For example, Tesla's Model S vehicle battery has a *cathode* comprising 80% nickel, 15% cobalt and 5% aluminium, and Tesla's Powerwall *cathode* is made up of cobalt, nickel and manganese in equal portions. Lithium serves as the electrolyte, with charged lithium atoms moving from the anode to the cathode, enabling electrons to move externally.

Metal Winners

Cobalt to lithium demand is forecast to soar as electric vehicle markets expand

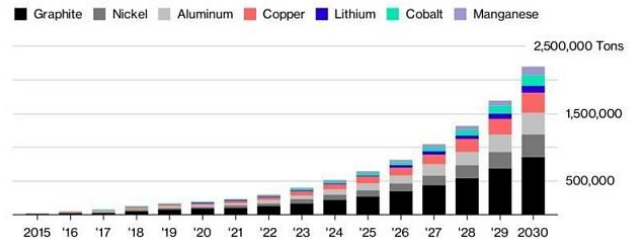


Figure 3: Demand forecast for EV Battery metals. Source: Bloomberg New Energy Finance.

Herein, we dive into the complexity of the nickel and lithium industry respectively, two of the major components required for the clean energy revolution.

The nickel industry: a tale of two deposits (laterites v sulphites)

The nickel industry is currently undergoing a major transformation. Traditionally, nickel has predominantly been used in the nickel pig iron industry to manufacture lower grade stainless steels. However, the advent of the lithium-ion battery, which requires high purity nickel, has generated a new demand stream and a split in the nickel market. **As the markets split, analysts are witnessing lower grade nickel directed to the pig iron sector, while the high-grade pure nickel is directed towards the lithium-ion battery sector.**

There are two primary forms of nickel deposits: laterite, found close to the surface but with a low nickel content, and sulphide, found deep below the ground, higher grade and easier to extract profitably. Nickel sulphide deposits have traditionally supplied class 1 nickel but are now becoming extremely rare. The last major nickel sulphide deposit to be brought to market was Voisey's Bay in Canada in the 1990s, which was sold to then-Canadian nickel miner Inco for C\$4.3 billion. This was described as the find of the century.

A further advantage of nickel sulphide deposits is time to market, with a laterite deposit taking approximately 6 to 12 years from start of feasibility study to first production. Thus, discovery of a major nickel sulphide system at the flagship Narndee complex would draw eyes from across the globe.

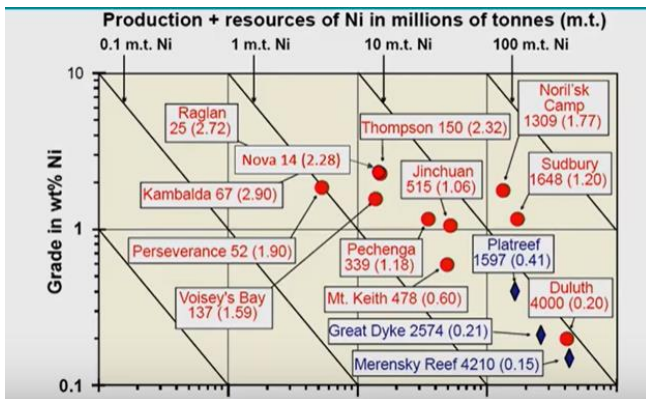


Figure 4: Grade v size of the world's largest nickel deposits with sulphides shown in red and laterites shown in blue

In addition, the world is dealing with a nickel sulphide industry that is significantly aging. Most of the significant deposits worldwide (in terms of tonnage and grade) are old deposits, for example; Thompson has been shut down; Noril'sk Camp has been in operation for more than 50 years; Sudbury Camp has been in operation for almost a hundred years; Pechenga in Russia has been in operation for circa 60 years and Jinchuan in China has been in operation for circa 60 years.

Thus, the nickel industry is facing a major dual challenge: nickel demand is projected to grow rapidly, and we are experiencing a nickel market without a pipeline of major new sources of supply.

The lithium industry: Australia in pole position

The global market for the alkali metal lithium is growing rapidly. Between 2008 and 2018 alone, annual production in the major producing countries (Chile, Australia, Argentina and China) rose from 25,400 to 85,000 tons. This growth is set to accelerate off the back of the uptake of electric vehicles. As of 2018,

with 51,000 tons, Australia is by far the most important supplier of lithium – ahead of Chile (16,000 tons), China (8,000 tons) and Argentina (6,200 tons) (Source: United States Geological Survey).

These countries also use different extraction methods. Lithium from Australia primarily comes from ore mining, while in Chile and Argentina lithium comes from salt deserts, so-called salars. In this method, lithium-containing saltwater from underground lakes is brought to the surface and evaporates in large basins. The remaining saline solution is further processed in several stages until the lithium is suitable for use in batteries.

The sector is in a state of major expansion and consolidation. For example, in April 2021, Australian mining companies Orocobre and Galaxy Resources announced their intent to merge in a A\$4bn (US\$3.1bn) deal, which has placed the combined entity as the world's fifth-largest producer of lithium.

Industry demand, growth rates and incentive prices

The ultimate driver for nickel and lithium demand going forward is linked to global sales of electric vehicles. Bloomberg New Energy Finance foresees an inflection point in 2037, when EVs will account for more than 50 per cent of new vehicles sold.

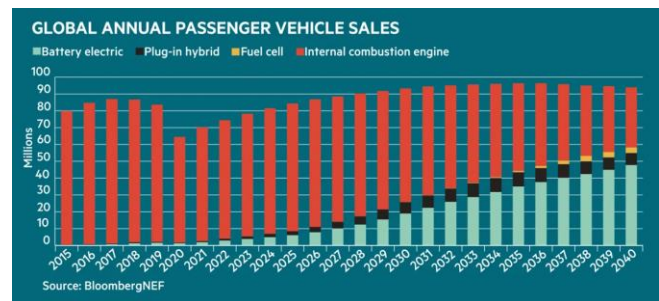


Figure 5: Bloomberg New Energy Finance (BNEF) global annual passenger vehicle sales forecast

Nickel prices have been in a broadly bullish uptrend since 2015, with nickel currently trading at circa \$18,500 USD/tonne. **The key \$20,000 USD/tonne threshold for nickel is seen as an incentive price, critical to unlocking fresh supply, suggesting further price upside is likely in the short-medium term.**

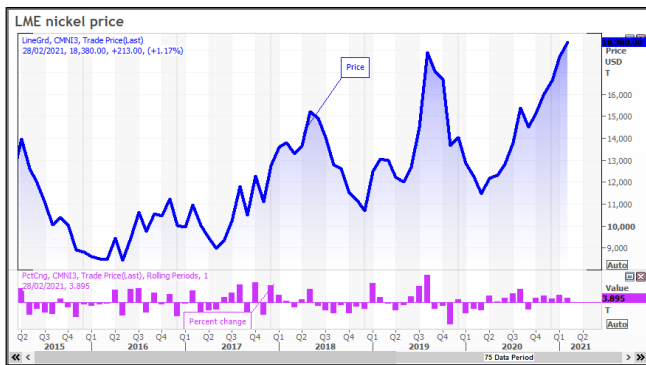


Figure 6: LME nickel prices across 2015 to 2021

Lithium prices have seen a resurgence in the last year following an earlier surge in 2017/2018 and a subsequent decline which saw a 75% fall in the price of lithium hydroxide from \$20,000 a ton to around \$5,000/t in July 2020. **Since that low point was reached, lithium hydroxide has recovered to around \$10,000/t, but remains below what produces require to “incentivize” investment in restoring mothballed mines and processing plants or invest in new projects.**

Lithium's Wild Ride

The battery metal has rebounded from an extended slump

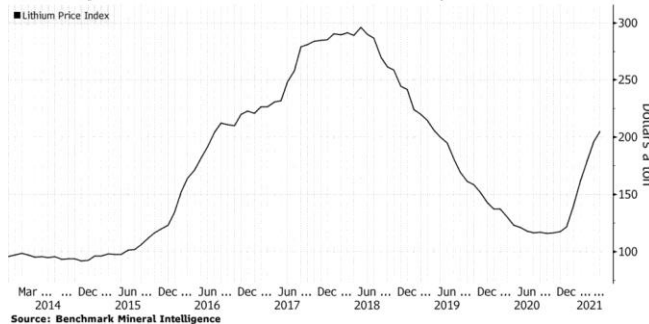


Figure 7: Lithium price index across 2014 to 2021

Macquarie Bank remarkably announced this month that they expect the lithium market to be in “perpetual deficit”. Consequently, Macquarie Bank expects lithium prices to continue to rise, moving to an incentive price by CY24. Some new supply additions temporarily tighten the market in CY26, but beyond CY27 the supply deficit widens significantly, according to these forecasts.

Importantly for the WA spodumene producers, Macquarie forecasts that the lack of independent suppliers should see spodumene remain tighter than other lithium markets. **The above thematic also applies to the lithium explorers/developers where leverage to the upside could become extreme should the rush for new supplies develop as Macquarie predicts.**

In summary, Aldoro Resources is positioned within a highly compelling industry that is forecasted to continue to grow at a rapid pace. With nickel and lithium prices currently below incentive prices for new supply, it is likely that prices for these two metals are likely to continue to rise, at least in the short-medium term.

Section 3: Valuation Analysis

Shareholder register and structure

Aldoro Resources is a traditional junior explorer play and success is ultimately dependant on drill results. Thus, ARN is currently a high-reward/high-risk speculative investment. **However, ARN are comfortably funded for the proposed drill program and have a highly attractive shareholder structure and low SOI – the foundations are thus in place for a major share price spike if drill results were to be favourable.**

The major shareholders (The Pioneer Development Fund) have been early and significant backers of the company since IPO. These shareholders have also been early and major backers of Vulcan Lithium (ASX:VUL), Rumble Resources (ASX:RTR) and Chalice (ASX:CHN) – all have been multibaggers, with VUL, RTR and CHN up 5,087%, 621%, and 2,865% respectively since 3rd Jan 2020. In addition, the Narndee asset vendors remain meaningful shareholders as opposed to selling once having received their vendor shares, as is often the case.

Table 1: Shareholder register and corporate structure

ASX Code	ARN
Share Price	\$0.41
Shares on Issue	80.5M
Options	30.1M ¹
Market Capitalisation	\$33M
Cash (30 June 20)	\$3.9M
Enterprise Value	\$29.1M
Number of shareholders	1,128
Top 20 shareholders	48% ²

¹ 20,878,474 ex 30c, 31st August 2023 expiry
2,000,000 ex 22.5c, 18th November 2022 expiry
2,500,000 ex 17.5c, 9th September 2023 expiry
4,800,000 ex 23.4c, 9th September 2023 expiry

Cashflow valuation methods are inappropriate for this early stage of the company's lifecycle

The “metals & mining” sector of the ASX covers approximately ~670 entities, ranging from explorers, all the way through to producers. Most of the listed metals and mining companies on the ASX are “explorers”, like ARN.

Investments in explorers are speculative plays, often illiquid and volatile. At this stage, the ‘value’ of their ‘mineral’ (nickel, gold, lithium, PGEs etc) resources ‘in the ground’ is being almost completely ignored.

However, explorers occasionally lead to significant shareholder wealth creation if a discovery is found that enables the company to move into the development stage, in which the focus becomes feasibility, geoscience, engineering and fund raising.



Figure 8: Lifecycle of a mining company from exploration to production

Once in the development stage, a valuation can be placed on a project using a cashflow method with the release of a project NPV (net present value) (approximately equal to the long-term profit minus the initial cost to build). At the development stage, a company may only trade at 0.2-0.3x EV/NPV to take into account finance costs (dilution) and the risks of financing/engineering/construction etc.

² The Pioneer Development Fund (19%), Institutional (9%), Management and advisors (7%)

In summary, although a cashflow method is not suited to valuing Aldoro Resources at this stage of its company lifecycle, in the next section we investigate the landscape of ASX nickel focused companies to understand the potential runway/upside possible if a discovery at the flagship Ni-Cu-PGE Narndee project is made that allows Aldoro to transition from explorer to discovery and development.

Valuations for ASX nickel companies by lifecycle stage highlight enormous runway for growth

The ASX is home to an impressive and diverse set of nickel explorers, developers and producers. T.E.P. Investments has assessed 24 nickel players listed on the ASX to understand valuation trends by lifecycle stage. This is depicted below in Figure 9.

Although each of these companies have differing resource sizes, risks, resource grades, etc. they are a useful comparison point to gauge relative valuations by lifecycle. **ARN currently sits within the junior**

nickel explorer set with valuations ranging from sub \$20 million to \$119m.

If a company making discovery is made at the flagship Narndee NiCu-PGE project, ARN has the opportunity to move into the next phase of its lifecycle with further investment and planning to take the company from the discovery phase to the development stage. ASX nickel companies currently in the discovery stage have market capitalisations ranging from circa \$80m to \$350m. This would represent a 1.6x to 10.6x increase in valuation for ARN if a similar market valuation range were achieved off the back of positive company defining drill results.

ASX nickel players with projects currently in the construction phase include Panoramic Resources Ltd (ASX:PAN) (\$318m MC), Mincor Resources NL (ASX:MIN) (\$448m MC) and Jervois Mining Limited (ASX:JRV) (\$457m MC).

Valuation of Selected ASX Nickel Companies Versus Lifecycle Stage

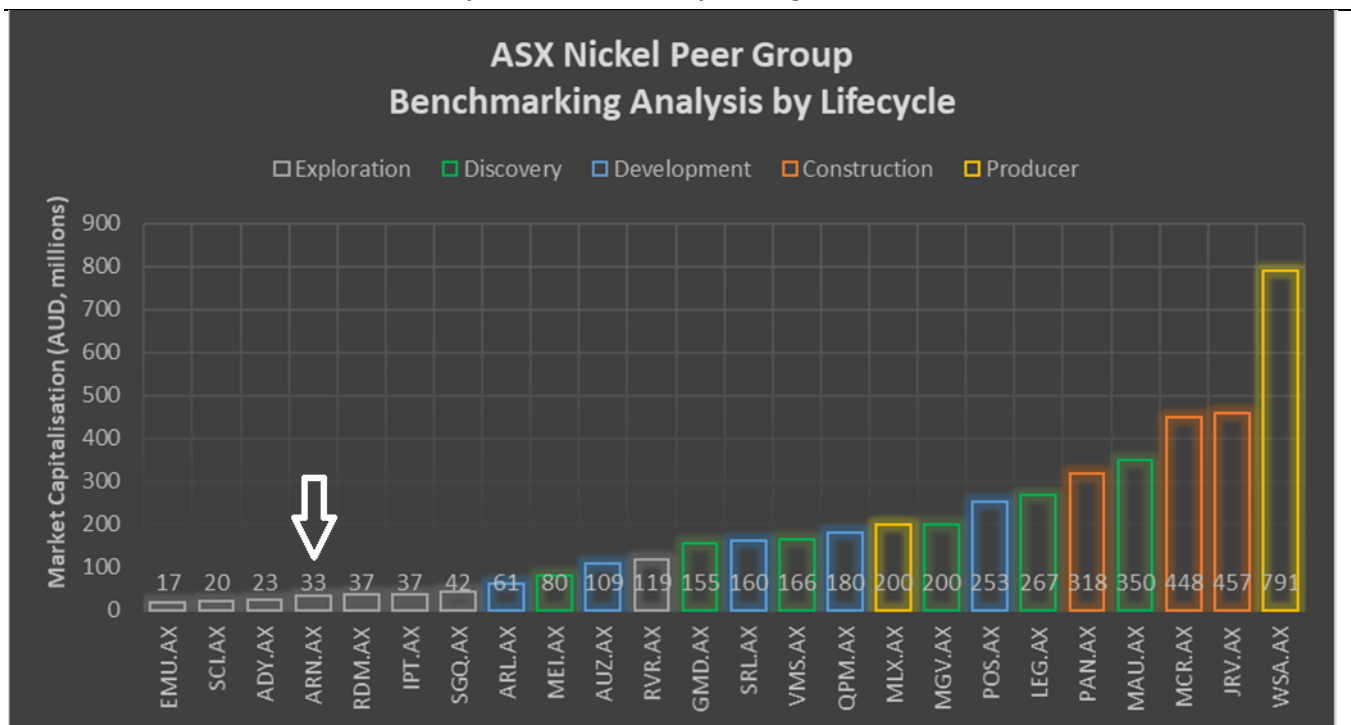


Figure 9: Peer Group Benchmarking Analysis: Independence Group NL has been excluded for chart aesthetics (\$6.5 billion AUD valuation)

Section 4: Investment Case

The last 3-5 years has been momentous for nickel.

Such is the speed of transformation of demand, that BHP, the world's largest miner, has shifted from plans to sell its WA nickel assets to instead declaring it is now one of their core businesses.

Nickel West BHP is now a fully integrated mine-to-market nickel business with over 3500 employees and contractors. Today, over 75% of BHP's nickel is now sold to global battery material suppliers. Moreover, a nickel sulphate plant is currently under construction at the Kwinana Nickel Refinery which will produce nickel sulphate, a product directly used in EV lithium-ion batteries.

ARN is positioned in the right place at the right time, with battery metal demand firmly on the ascendancy. This would be a major strength for Aldoro should drilling return favourable results as is predicted by management, and potentially place ARN in the spotlight of larger players as an M&A target.

An attractive shareholder structure and low SOI means that a re-rate could be swift

An extremely clean cap table also places ARN in an enviable position. With merely 80.5M shares on issue and 48% held by the Top 20, the company is positioned for a major re-rate should drilling be favourable.

Moreover, the shareholder register is an impressive who's who of ASX mining success stories, led by The Pioneer Development Fund (19%), Institutional (9%) and management and advisors (7%).

Pioneer Development Fund's involvement with a significant holding and representation on the board via Lincoln Ho is reminiscent of other major mining success stories including VUL, RTR and CHN – up 5,087%, 621%, and 2,865% respectively since 3rd Jan 2020

The activity pipeline is extensive – significant newsflow is on the horizon

The initial surge in share price for a junior explorer is often driven by initial speculative and early investment encouraged by the prospective geology and encouraging drill results.

The start of a major drill campaign, as recently announced by the Company, also marks the start of a period of major newsflow as the company is obliged by disclosure requirements to update the market on drill results as they unfold. **We are about to enter a period of heightened newsflow and this is often a period of rising share price for companies as it presents not only the opportunity to highlight company defining discoveries, but also expands the audience and awareness of the company within the industry and beyond.**

In addition, when investing in junior explorer plays, awareness, newsflow and sentiment also plays a major role. The company is determined to ensure its voice is held with a range of upcoming media opportunities planned across July and August.

Global technical expertise has been secured and confidence is building for the Narndee drilling program

We are encouraged by the involvement of experienced and successful global technical experts in the drilling campaign, which highlights a further reason to be bullish on ARN.

On the 29th of March 2021, internationally renowned geologist Dr Minlu Fu joined the Aldoro team as technical advisor for the Narndee Nickel-PGE Project. Dr Minlu Fu has an enviable ASX track record given his successful technical involvement in the significant discoveries made by Los Ceros (ASX: LCL) and Tietto Minerals (ASX:TIE).

In addition to Dr Minlu Fu’s technical involvement in the Narndee Nickel-PGE project, Dr Fu and associates committed to invest \$2 million into Aldoro at \$0.20 per share which is a significant show of faith into the Narndee Nickel-PGE Projects prospectivity and Aldoro’s methodical derisking efforts prior to drilling the largest mafic-ultramafic complex in Australia.

In addition, existing exploration efforts have de-risked the drilling campaign. The VC1 target has been confirmed to be located in a highly prospective geological setting for magmatic nickel-copper sulphides, close to a mafic-ultramafic contact. The VC1 drill holes will target the 8000-18000S modelled conductor which in conjunction with the favourable geological position, anomalous geochemistry and the geophysical modelling makes it a compelling drill target.

Historical nickel sulphide discoveries highlight that the potential growth runway in share price

Although the company remains high-risk, historical ASX success stories suggest that upside could be truly asymmetrical.

Shares in Sirius were worth less than 6 cents in July 2012 before Mr Bennett and his team discovered the Nova-Bollinger nickel and copper resource in WA. Backed by Australian mining entrepreneur Mark Creasy, Mr Bennett found Nova after being given 3 years and \$10m to make a “company-making” discovery in the Fraser Range, about 200km south-east of the mining town of Kalgoorlie.

This discovery led to a truly extraordinary share price run for its owner at the time, Sirius Resources (ASX:IGO). Just 3 years later, in 2015, Sirius shares were valued at A\$4.38 (\$1.8 billion) with an acquisition by Independence Group (ASX:IGO). Following a successful construction and commissioning phase, the operation commenced commercial production in July 2017, and reached its nameplate production rate in the December 2017 quarter.

More recently, Legend Mining (ASX:LGE) ended its 2020 field season in dramatic style with a drill hole at the Mawson project in WA intersecting a total of 43.1m of nickel sulphide. Two further narrow zones of sulphide mineralisation were found further downhole, perhaps hinting at the depth potential of the system and providing a range of targets for follow-up. Legend Mining is currently valued at \$267M at 10 cents, up from 1c in November 2017, prior to discovery.

Technical analysis: ARN remains in a major bull trend

ARN is currently in a major bullish trend, above the 20 (34.5c), 50 (34c), and 200 (23c) day moving averages (refer to Figure 10). In addition, ARN remains within a healthy RSI range and with a positive MACD.

Table 2: ARN share price performance (as of 9th July 2021)

Timeframe	Performance
1 Week	+9.33%
1 Month	+17.14%
2021 YTD	+148.48%
1 Year	+290.48%
vs Sector (1yr)	+264.24%
vs ASX 200 (1yr)	+268.35%

Table 3: ARN share price activity (as of 9th July 2021)

Indicator	Value
ASX Rank	1,484 of 2,278
Sector Rank	375 of 676
Last (Price)	\$0.41
Bid / Ask	\$0.41 - \$0.42
Volume	324,225
Volume (4w avg)	326,941
Turnover	\$129,723

ARN 6 month share price performance & volume

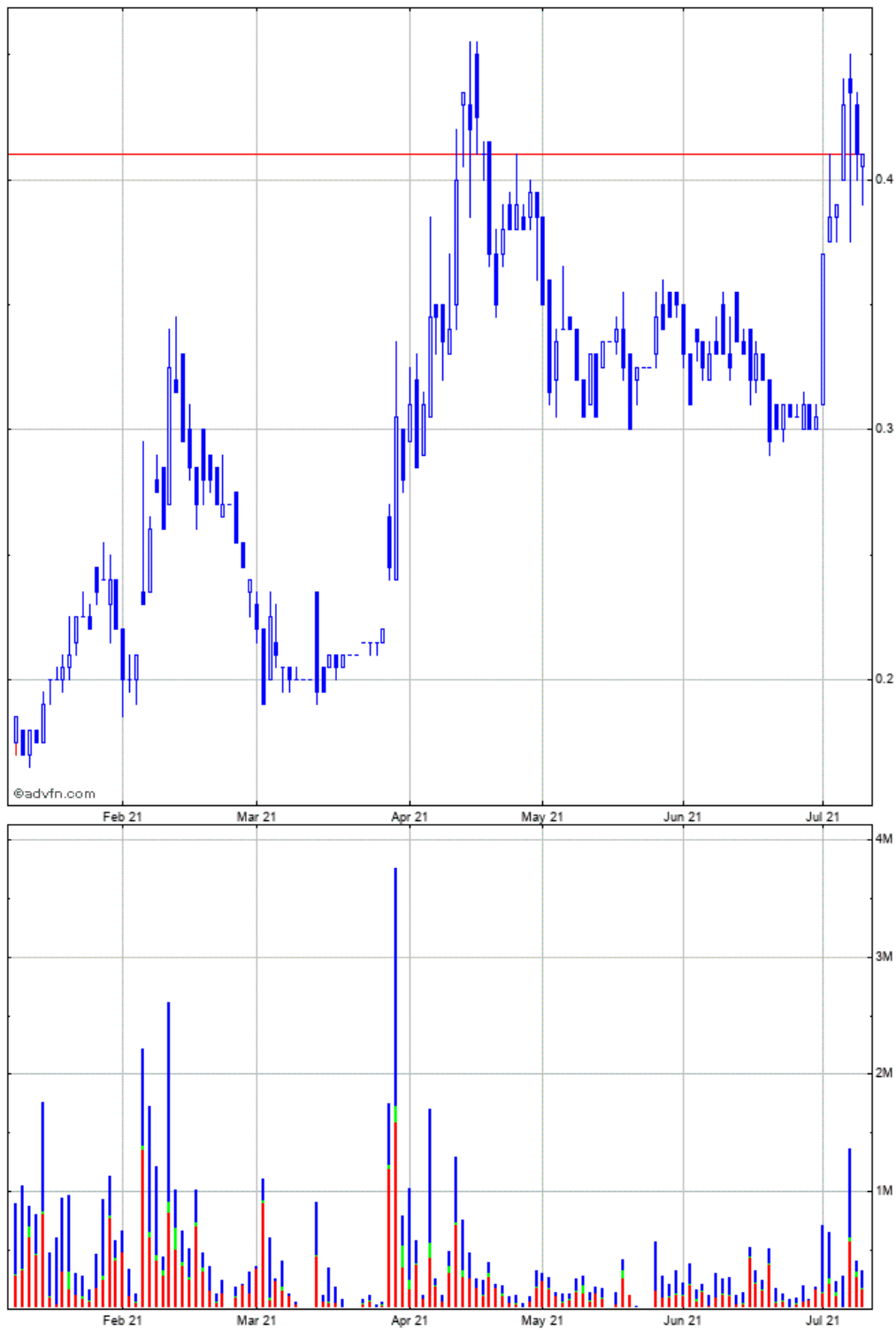


Figure 10: ARN share price chart & volume across the past 6 months

Section 5: Risk Factors

Shares in ARN are highly speculative by nature

Due to its position as a junior nickel/lithium explorer, shares in ARN at this stage remain highly speculative. An investment in the company is not risk free and the following risk factors described below should be considered alongside the opportunities and potential upside on offer associated with an investment in the Company.

There are specific risks which relate directly to the Company's business. In addition, other general risks are also possible, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section or other risk factors may have a material impact on the financial performance of the Company and the market price of the shares.

Exploration or mining title risks are unlikely, but possible

The ability of the Company to carry out successful exploration and mining activities will depend on the ability to maintain or obtain tenure to mining titles. The maintenance or issue of any such titles must be in accordance with the laws of the relevant jurisdiction and in particular, the relevant mining legislation. Conditions imposed by such legislation must also be complied with.

No guarantee can be given that tenures will be maintained or granted, or if they are maintained or granted, that the Company will be in a position to comply with all conditions that are imposed or that they will not be planted by third parties. Although the Company has investigated title to its Tenement (as detailed in the Tenement Report), the Company cannot give any assurance that title to such Tenement will not be challenged or impugned. The Tenement may be subject to prior unregistered

agreements or transfers or title may be affected by undetected defects or native title claims.

ARN has limited operating history and low liquidity

The Company was only recently incorporated (21 November 2017) and has limited operating history and limited historical financial performance. Exploration has previously been conducted on the area of land the subject of the Projects, however, the Company has only recently commenced its own review and assessment of the exploration activities at the Projects.

No assurance can be given that the Company will achieve commercial viability through the successful exploration and/or mining of the Projects. Until the Company is able to realise value from its Projects, it is likely to incur ongoing operating losses. In addition, trading in ARN may be less liquid which may impact on the ability of a shareholder to dispose of his or her shares in a timely manner.

Significant efforts have been taken to de-risk drilling, but there is no guarantee of an economic resource discovery

Potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that future exploration of the Tenement, or any other mineral licences that may be acquired in the future, will result in the discovery of an economic resource. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns or adverse weather conditions, unanticipated operational and technical

difficulties, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, industrial and environmental accidents, industrial disputes, unexpected shortages and increases in the costs of consumables, spare parts, plant, equipment and staff, native title process, changing government regulations and many other factors beyond the control of the Company.

A CR may be required if a discovery is made that requires further exploration

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainty, and accordingly, the actual costs may materially differ from the estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely impact the Company's viability.

In addition, a successful discovery that leads to further exploration is likely to require additional funds, which would presumably be funded via a capital raise.

There is no guarantee that Ni prices will be favourable for ARN long term

A decline in the market price of nickel or lithium below the Company's production costs for any sustained period would have a material adverse impact on the profit, cash flow and results of operations of the Company's projects and anticipated future operations.

Such a decline also could have a material adverse impact on the ability of the Company to finance the exploration and development of its existing and future mineral projects. A decline in the market price of nickel or lithium may also require the Company to write-down its material reserves which would

have a material adverse effect on the value of the Company's securities. The Company will also have to assess the economic impact of any sustained lower nickel or lithium prices on recoverability and therefore, on cut-off grades and the level of its mineral reserves and resources.

Ultimately, the short, medium and long-term market dynamics for nickel and lithium appear extremely favourable, but prices for any commodity will be likely to undergo cyclical movements due to supply and demand patterns. The best cure for low prices is low prices and the best cure for high prices is high prices.

Disclaimer

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